

## Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 CTME-00 EB-08 STR-07 TRSE-00 OMB-01  
CIAE-00 INR-10 NSAE-00 L-03 /042 W  
-----077856 120522Z /14

R 120409Z MAY 78  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC 5649  
INFO USDOC WASHDC  
AMEMBASSY SEOUL  
AMEMBASSY TAIPEI

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E.O. 11652: N/A  
TAGS: ETRD, RP  
SUBJECT: SECRETARY PATERNO MEETS WITH SHOE INDUSTRY:  
ACTIVITIES CIRCUMVENTING FOOTWEAR OMA

REF: (A) STATE 008343, (B) MANILA 1278, (C) MANILA 6526

1. SUMMARY. SECRETARY OF INDUSTRY VICENTE PATERNO MET MAY 5 WITH 30 TO 40 REPRESENTATIVES OF THE PHILIPPINE SHOE INDUSTRY. ONE OF THE TOPICS DEALT WITH AT MEETING WAS APPROPRIATE GOVERNMENT ACTION REGARDING TAIWANESE AND KOREAN ASSEMBLY/EXPORT OPERATIONS. (SEE REFTEL C.) PATERNO PROMISED PROMPT INVESTIGATION OF INTERNATIONAL PRODUCTS CORPORATION, ACCUSED OF ASSEMBLING IMPORTED SHOE COMPONENTS FOR EXPORT TO THE US IN ORDER TO CIRCUMVENT OMA RESTRICTIONS. END SUMMARY.

2. IN MAY 11 MEETING WITH EMBOFF, DOMINGO ANTONIO, MARIKINA SHOE TRADE COMMISSIONER REPORTED DETAILS OF MAY 5 MEETING AND AMPLIFIED FURTHER ON PROBLEM OF ASSEMBLY OPERATIONS OF KOREAN AND TAIWANESE SHOE MANUFACTURERS IN PHILIPPINES. HE CLAIMS LOTUS IS NO LONGER  
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ENGAGED IN ASSEMBLY OPERATIONS, HAVING CEASED AS RESULT OF PROTESTS FROM ANG TIBAY, PHILIPPINES LARGEST SHOE MANUFACTURER.

3. FYI: ACCORDING TO LOCAL KOREAN REPRESENTATIVE OF LOTUS, ANG TIBAY WAS UNSUCCESSFUL IN ATTEMPT TO TAKE OVER LOTUS UPON CANCELLATION OF DBP LOAN (SEE REFTEL C.).

INSTEAD LOTUS' KOREAN PARTNER, SAMHWA CO. BAILED IT OUT  
BY LARGE INFUSION OF CAPITAL. END FYI.

4. OTHER COMPANIES HAVE ENTERED PHILIPPINES, HOWEVER,  
WITH PLANS TO UNDERTAKE ASSEMBLY OPERATIONS FOR EXPORT TO  
US, THOUGH TO DATE IPC IS REPORTEDLY THE ONLY FIRM  
ACTIVELY ENGAGED IN OPERATIONS. SEVERAL KOREAN AND  
CHINESE BUSINESSMEN HAVE COME TO ANTONIO TO DISCUSS  
THEIR PLANS, TWO OF WHOM ARE CITC INDUSTRIES, A TAIWANESE  
COMPANY WITH AN OFFICE IN NEW YORK CITY AND A LOCAL TIE-  
UP WITH MITSUBISHI, AND KOWA, A KOREAN-  
JAPANESE JOINT VENTURE.

5. MEANWHILE, IPC IS CONTINUING ITS OPERATIONS. AT  
FIRST, ACCORDING TO ANTONIO, IPC IMPORTED FINISHED SHOES  
INTO BONDED WAREHOUSE IN PHILIPPINES, PLACED "MADE IN  
PHILIPPINES" LABELS IN THEM, AND EXPORTED TO US. THIS  
PRACTICE WAS STOPPED FOR UNKNOWN REASONS, PERHAPS  
BECAUSE OF HIGH COST OF BRIBES TO CUSTOMS OFFICIALS.  
PRESENTLY PRODUCTION FROM ASSEMBLY OPERATION IS 900  
PAIRS A DAY, ANTONIO CLAIMS. HE SEEMED OPTIMISTIC THAT  
GOVERNMENT INVESTIGATION WILL RESULT IN POSITIVE ACTION  
AGAINST IPC TO PUT STOP TO SUCH OPERATIONS.

6. ANTONIO REPEATED CONCERN THAT THESE ILLICIT OPERA-  
TIONS COULD HARM PHILIPPINE SHOE INDUSTRY. HE ESTIMATED  
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THAT GIVEN UPSWING IN SUCH ASSEMBLY OPERATIONS BY  
KOREANS AND CHINESE, PHILIPPINE SHOE EXPORTS TO US  
COULD EASILY RISE TO 200 MILLION DOLLARS A YEAR WITHIN  
THREE TO FOUR YEARS, RESULTING IN IMPOSITION OF US  
QUOTAS ON PHILIPPINE SHOES. PHILIPPINE EXPORTS OF SHOES  
TO US IN 1977 WERE 11 MILLION DOLLARS AND IN 1976,  
FIVE MILLION DOLLARS, CONSTITUTING AT THAT TIME LESS  
THAN ONE PERCENT OF ALL US SHOE IMPORTS. TOUSSAINT

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INDUSTRY, FOOTWEAR, SHOES, NEGOTIATIONS, TRADE AGREEMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
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**Previous Classification:** LIMITED OFFICIAL USE  
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**Reference:** 78 STATE 8343, 78 MANILA 1278, 78 MANILA 6526  
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**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
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**Review Transfer Date:**  
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**Status:** NATIVE  
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**TAGS:** ETRD, RP  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014